

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 01340 031450Z

47

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 CEA-02 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W

----- 014428

R 030827Z DEC 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9501

LIMITED OFFICIAL USE MANILA 13406

USADB

E.O. 11652: ADS, DECLAS 3/31/74

TAGS: EAID, EFIN

SUBJECT: REVIEW OF FORMULA FOR ALLOCATION OF ADMINIS-
TRATIVE EXPENSES BETWEEN ORDINARY AND SPECIAL
OPERATIONS

TREASURY FOR FINKEL

SUMMARY: ADB MANAGEMENT PROPOSES REVISING FORMULA FOR
ALLOCATING ADMINISTRATION EXPENSES BETWEEN SPECIAL FUNDS
AND ORDINARY CAPITAL OPERATIONS. OBJECTIVE IS TO ARRIVE
AT MORE EQUITABLE DISTRIBUTION OF ADMINISTRATION CHARGES
IN LIGHT OF BANK'S EXPERIENCES TO DATE. REVISION OF
FORMULA WOULD ENABLE SPECIAL FUNDS RESOURCES TO REIM-
BURSE TO ORDINARY CAPITAL RESOURCES AS EARLY AS POSSIBLE
SPECIAL FUNDS SHARE OF ADMINISTRATIVE EXPENSES FINANCED
BY ORDINARY CAPITAL RESOURCES. USADB RECOMMENDS
FAVORABLE NAC ACTION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 01340 031450Z

1. ADB DOC R 110-73 POUCHED NOV. 27. BOARD CONSIDERATION

SCHEDULED DEC. 19.

2. PRESENT FORMULA WAS ADOPTED IN 1971 BASED ON BOARD DOCUMENT R 70-71 DTD OCT. 28, 1971. BASED ON THIS FORMULA ADMINISTRATIVE EXPENSES PERTAINING TO SPECIAL FUNDS OPERATIONS HAVE AGGREGATES OF \$8,700,000 COVERING YEARS 1969-1972. CURRENT FORMULA STIPULATES THAT EXPENSES SO ALLOCABLE TO SPECIAL FUNDS RESOURCES BE MET ONLY FROM FEES LEVIED AND COLLECTED ON SPECIAL FUNDS LOANS FROM BORROWERS. SINCE INCOME FROM SUCH SERVICE FEE IS MINIMAL, ACTUAL EXPENSES OF SPECIAL FUNDS OPERATIONS HAVE BEEN TEMPORARILY MET FROM ORDINARY CAPITAL RESOURCES AND APPEARS IN FINANCIAL STATEMENTS OF SPECIAL FUNDS RESOURCES AS "ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES". HIGH EXPENDITURES BEING CHARGED AGAINST SPECIAL FUNDS OPERATIONS ARE DUE PRIMARILY TO FACT THAT PRESENT SYSTEM IS BASED ON EQUAL WEIGHTAGE GIVEN TO NUMBER AS WELL AS AMOUNT OF LOANS. AS OF END 1972, AVERAGE SIZE OF SPECIAL FUNDS LOAN WAS \$4.58 MILLION COMPARED TO THAT OF ORDINARY LOAN AT OVER \$10 MILLION WHILE NUMBER OF LOANS COMPARED 44 TO 68 RESPECTIVELY. FUTURE PROSPECT IS THAT AVERAGE SIZE OF SPECIAL FUNDS LOAN IS NOT LIKELY TO GET BIGGER AS BANK WOULD GET INVOLVED IN MORE SMALL PROJECTS IN LESSER-DEVELOPED MEMBER COUNTRIES.

3. IN ORDER TO ACHIEVE OBJECTIVE OF CHARGING SPECIAL FUNDS RESOURCES WITH ONLY A REASONABLE AND BEARABLE PORTION OF BANK'S ADMINISTRATIVE EXPENSES, BANK IS PROPOSING FOLLOWING:

(A) ALLOCATION OF EXPENSES BE DONE ONLY ON BASIS OF AMOUNT OF LOANS. NUMBER OF LOANS TO BE DISREGARDED ENTIRELY. (THIS IS CURRENT IDB PRACTICE.)
(B) ENTIRE INCOME OF SPECIAL FUNDS RESOURCES TO BE MADE AVAILABLE FOR THE PURPOSE OF MEETING SPECIAL FUNDS EXPENSES. (IDA AND IDB HAVE ADOPTED THIS PRACTICE. EXISTING SPECIAL FUNDS RULES AND REGULATIONS DO NOT PRECLUDE ADB FROM ADOPTING SAME APPROACH.)

4. PROPOSED REVISION IS TO BE IMPLEMENTED ACCORDING TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 01340 031450Z

FOLLOWING SCHEDULE: (A) INCOME DERIVED UP TO END OF 1973 FROM SPECIAL FUNDS RESOURCES TO BE APPLIED TO ACCUMULATED "ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES". REMAINING BALANCE TO BE CARRIED FORWARD; (B) EXPENSE ALLOCATION FORMULA BASED ON AMOUNT OF LOANS ONLY TO COMMENCE FISCAL YEAR 1973; (C) STARTING FISCAL YEAR 1974 ALL CURRENT ADMINISTRATIVE EXPENSES OF SPECIAL OPERATIONS WILL BE CHARGED TO ALL CURRENT INCOME

OF SPECIAL FUNDS RESOURCES.

5. ADOPTION OF PROPOSED REVISION WOULD REDUCE PROJECTED
1973 SPECIAL FUNDS EXPENSES FROM \$5.1 MILLION TO \$3.5
AND EXISTING DEFICIT OF \$8.7 MILLION WILL BE ELIMINATED
BY 1976. SINCE BANK PROPOSAL ENDEAVORS TO ACHIEVE MORE
EQUITABLE DISTRIBUTION OF EXPENSES BETWEEN TWO OPERATIONS
AND MORE APPROPRIATE FINANCIAL REPORTING, USADB RECOMMENDS
FAVORABLE NAC ACTION.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, FUND ALLOTMENT, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 03 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA01340
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731249/aaaabkev.tel
Line Count: 125
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Dec-2001 by cunninfx>; APPROVED <21-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF FORMULA FOR ALLOCATION OF ADMINIS- TRATIVE EXPENSES BETWEEN ORDINARY AND SPECIAL
TAGS: EAID, EFIN, ADB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005